PHILIP MORRIS U.S.A. INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, N.Y. 10017-5592

TO: Roy Anise DATE: October 8, 1991

FROM: Andrew Schwartz

SUBJECT: Carton Discounts for Smokers 55+

Product discounts for older consumers represent a promotional tactic new to the tobacco industry but one often employed successfully by a variety of consumer goods, services and outlet types. In the broadest sense, the more your consumer base skews to younger adults, the greater the incremental promotional volume opportunity.

For Marlboro, carton discounts for smokers 55+ can offer the brand strategic benefits even if matched by our competitors. At a minimum, it may stimulate further discussion of promotional concepts which by definition, can provide stronger incremental volume. Summarized below, the potential benefits appear to outweigh the associated risks.

Potential Benefits

- Addresses the price sensitivity of older smokers on fixed incomes, a growing market segment.
- Can provide stronger incremental volume from promotional spending based upon Philip Morris' underdeveloped older smoker share and the redemption criteria.
- Attacks a key portion of RJR and competitive strength and profitability.
- If matched by competitors, still provides a strategic benefit, forcing their defensive action.
- Little if any potential pack smoker cannibalization.
- No downside to promotional trade class shifting.
- Stays within the letter and spirit of the Robinson Patman Act, which constrains retail outlet selectivity.

Potential Risks

- Anti-smoking backlash
- Image dilution drawing attention to Marlboro's broad smoker appeal beyond a younger adult smoker base.
- Adequate redemption controls to ensure promotional use as intended.

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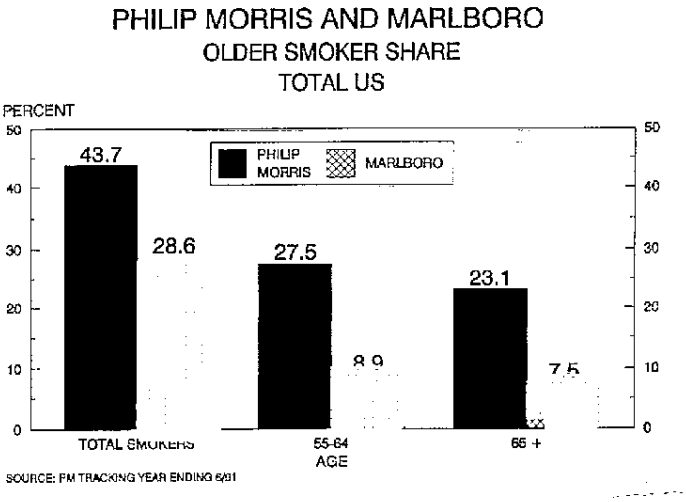
Source: https://www.industrydocuments.ucsf.edu/docs/qqdn0004

The anti-smoking contingent may attack any successful strategy as they have in the past. In this case, our promotional focus is clearly directed at brand switching among lifetime smokers. Image dilution and adequate redemption controls are both issues which will require additional thought to minimize any potential risk.

I would welcome the opportunity to provide additional supporting information and if appropriate, test this concept in the market.



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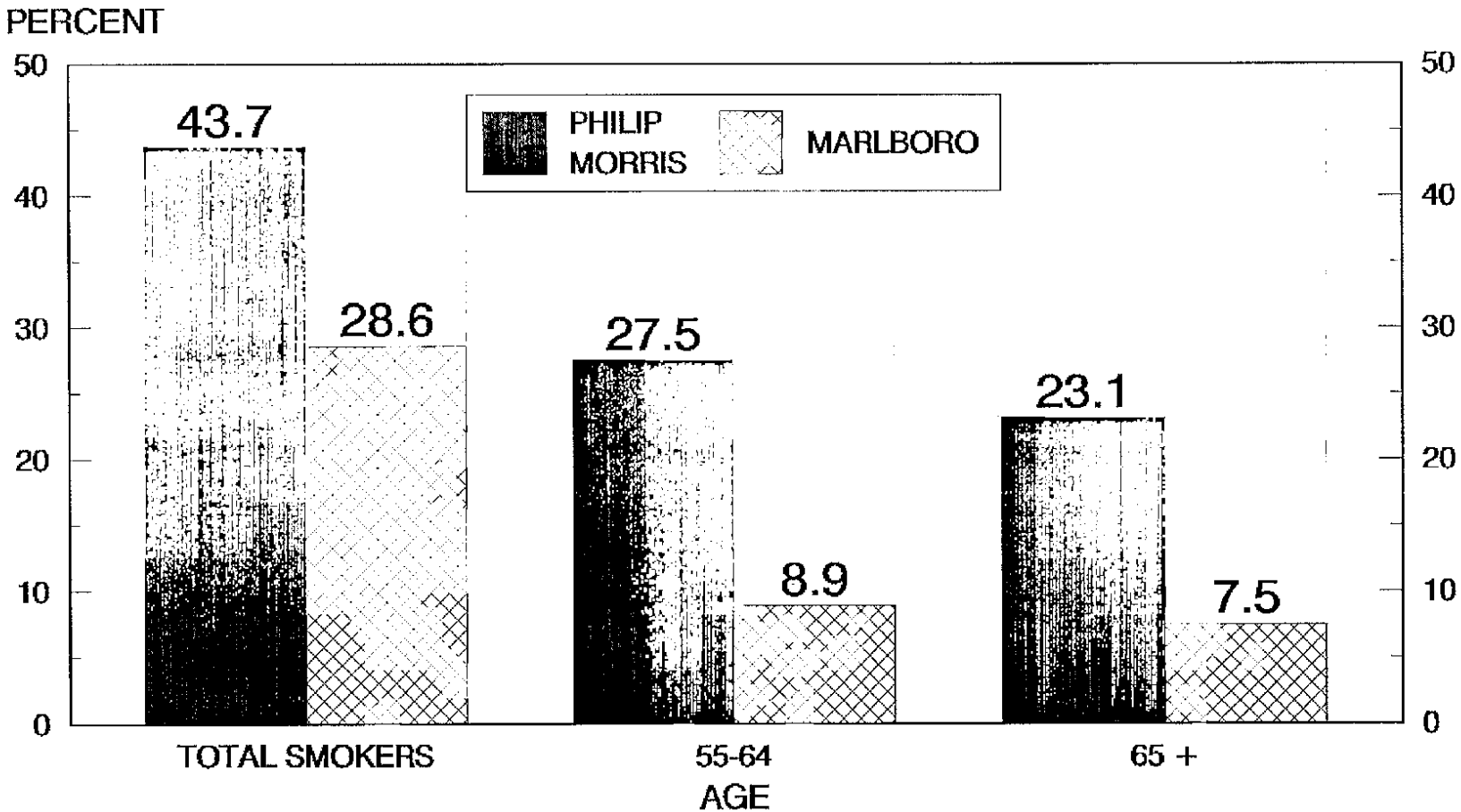
PHILIP MORRIS AND MARLBORO

OLDER SMOKER SHARE

TOTAL US



SOURCE: PM TRACKING YEAR ENDING 6/91

Source: https://www.industrydocuments.ucsf.edu/docs/qqdn0004